
Yavica ApS

Jægersborg Allé 4, 4th floor, DK-2920 Charlottenlund

Annual Report for 2022

CVR No. 38 67 96 19

The Annual Report was
presented and adopted
at the Annual General
Meeting of the
company
on 28/7 2023

Mads Pihl Sørensen
Chairman of the
general meeting



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Management's statement

The Executive Board has today considered and adopted the Financial Statements of Yavica ApS for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In my opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations and cash flows for 2022.

I recommend that the Financial Statements be adopted at the Annual General Meeting.

Charlottenlund, 28 July 2023

Executive Board

Mads Pihl Sørensen
CEO

Independent Auditor's report

To the shareholders of Yavica ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Yavica ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's report

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 28 July 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Niels Henrik B. Mikkelsen

State Authorised Public Accountant

mne16675

Martin Birch

State Authorised Public Accountant

mne42825

Company information

The Company

Yavica ApS
Jægersborg Allé 4, 4th floor
DK-2920 Charlottenlund

Telephone: 42420282
Website: <https://yavica.com/>

CVR No: 38 67 96 19
Financial period: 1 January - 31 December
Incorporated: 20 May 2017
Financial year: 6th financial year
Municipality of reg. office: Gentofte

Executive Board

Mads Pihl Sørensen

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Management's review

Key activities

The company's main activity is the delivery of business systems and related consulting services

Development in the year

The income statement of the Company for 2022 shows a profit of DKK 814,575, and at 31 December 2022 the balance sheet of the Company shows positive equity of DKK 14,985,561.

The growth in revenue reflect and follow the continued growth plan for Yavica, where the majority of profit are invested into market expansion and product development.

Capital resources

The Company's short term debt exceed its current assets. The financial statements have been presented on a going concern basis. Reference is made to note 1.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income statement 1 January - 31 December

	Note	2022 DKK	2021 DKK
Revenue		67,656,043	47,865,607
Production expenses		-49,745,756	-31,913,508
Gross profit		17,910,287	15,952,099
Distribution expenses		-9,564,551	-6,155,791
Administrative expenses	2	-7,097,668	-3,788,812
Operating profit/loss		1,248,068	6,007,496
Other operating income		700,000	6,284
Other operating expenses		0	-53,656
Profit/loss before financial income and expenses		1,948,068	5,960,124
Income from investments in subsidiaries		-529,695	372,828
Financial income		650,698	769,789
Financial expenses		-917,780	-1,140,628
Profit/loss before tax		1,151,291	5,962,113
Tax on profit/loss for the year	3	-336,716	-1,232,040
Net profit/loss for the year		814,575	4,730,073

Distribution of profit

	2022 DKK	2021 DKK
Proposed distribution of profit		
Proposed dividend for the year	0	750,000
Reserve for net revaluation under the equity method	-285,292	0
Retained earnings	1,099,867	3,980,073
	814,575	4,730,073

Balance sheet 31 December

Assets

	Note	2022 DKK	2021 DKK
Completed development projects		20,883,208	1,957,464
Acquired licenses		218,667	1,530,667
Development projects in progress		204,780	8,620,786
Intangible assets	4	21,306,655	12,108,917
Other fixtures and fittings, tools and equipment		128,003	215,819
Property, plant and equipment	5	128,003	215,819
Investments in subsidiaries	6	831,224	401,346
Deposits	7	589,215	452,196
Other receivables	7	700,000	0
Fixed asset investments		2,120,439	853,542
Fixed assets		23,555,097	13,178,278
Trade receivables		4,547,282	2,427,910
Contract work in progress		6,552,135	3,026,345
Receivables from group enterprises		127,255	3,793,063
Other receivables		1,840,856	3,873,665
Prepayments		320,380	228,557
Receivables		13,387,908	13,349,540
Cash at bank and in hand		488,742	3,521,122
Current assets		13,876,650	16,870,662
Assets		37,431,747	30,048,940

Balance sheet 31 December

Liabilities and equity

	Note	2022 DKK	2021 DKK
Share capital		50,000	50,000
Reserve for development costs		16,448,630	10,578,250
Retained earnings		-1,513,069	3,542,736
Proposed dividend for the year		0	750,000
Equity		14,985,561	14,920,986
Provision for deferred tax		2,970,581	2,633,865
Provisions		2,970,581	2,633,865
Other payables		1,432,271	2,652,638
Long-term debt	8	1,432,271	2,652,638
Credit institutions		3,697,659	0
Prepayments received from customers		4,632,789	3,452,824
Trade payables		2,871,202	1,993,372
Payables to group enterprises	8	4,010,659	832,224
Corporation tax		441,356	557,356
Other payables	8	2,389,669	3,005,675
Short-term debt		18,043,334	9,841,451
Debt		19,475,605	12,494,089
Liabilities and equity		37,431,747	30,048,940
Going concern	1		
Contingent assets, liabilities and other financial obligations	11		
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Statement of changes in equity

	Share capital	Reserve for net revaluation under the equity method	Reserve for development costs	Retained earnings	Proposed dividend for the year	Total
	DKK	DKK	DKK	DKK	DKK	DKK
Equity at 1 January	50,000	0	10,578,250	3,542,736	750,000	14,920,986
Ordinary dividend paid	0	0	0	0	-750,000	-750,000
Other equity movements	0	285,292	0	-285,292	0	0
Development costs for the year	0	0	10,939,095	-10,939,095	0	0
Depreciation, amortisation and impairment for the year	0	0	-5,068,715	5,068,715	0	0
Net profit/loss for the year	0	-285,292	0	1,099,867	0	814,575
Equity at 31 December	50,000	0	16,448,630	-1,513,069	0	14,985,561

Cash flow statement 1 January - 31 December

	Note	2022 DKK	2021 DKK
Result of the year		814,575	4,730,073
Adjustments	9	6,048,052	3,159,161
Change in working capital	10	4,192,233	-1,201,310
Cash flow from operations before financial items		11,054,860	6,687,924
Financial income		187,587	769,789
Financial expenses		-917,780	-1,140,628
Cash flows from ordinary activities		10,324,667	6,317,085
Corporation tax paid		-116,000	-190,380
Cash flows from operating activities		10,208,667	6,126,705
Purchase of intangible assets		-14,024,481	-7,676,989
Purchase of property, plant and equipment		0	128,756
Fixed asset investments made etc		-863,863	-102,260
Cash flows from investing activities		-14,888,344	-7,650,493
Repayment of loans from credit institutions		27,844	-229,816
Repayment of payables to group enterprises		-79,995	762,952
Repayment of other long-term debt		-1,220,367	0
Raising of loans from credit institutions		3,669,815	0
Raising of other long-term debt		0	2,132,049
Dividend paid		-750,000	-750,000
Cash flows from financing activities		1,647,297	1,915,185
Change in cash and cash equivalents		-3,032,380	391,397
Cash and cash equivalents at 1 January		3,521,122	3,129,725
Cash and cash equivalents at 31 December		488,742	3,521,122
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		488,742	3,521,122
Cash and cash equivalents at 31 December		488,742	3,521,122

Notes to the Financial Statements

1. Going concern

Yavica has grown significantly during 2021 and 2022, with both revenue increasing (2022: 41%, 2021: 26%), while at the same time investing significant cash flows in development of new software products (CRM, Loan Management, Data Management) (2022: mDKK 14, 2021 mDKK 7.7). Further Yavica has established subsidiaries and offices in London and New York to support the growth in the UK and North America.

The combination of strong positive cash flows from operations and the current 4mDKK credit arrangement with Danske Bank has supported this growth and investment level.

The plan is to continue growth at a similar scale in 2023 and 2024, which will most likely require additional funding. Management has initiated discussions with the expected partners around additional financing, and expect to agree a 3-5 year facility to support the next steps in the growth of the business during Q3 of 2023.

In the event that additional financing will not be available as planned, the current credit facility and operational cash flows of the company will sustain current activities and markets of the business. It would, however, mean a delay in introducing additional new products as well as the physical establishment of Yavica in further markets in the short term.

Under these assumptions, management have presented the annual accounts under the principle of going concern.

	2022	2021
	DKK	DKK
2. Staff		
Wages and salaries	30,510,613	24,052,249
Pensions	2,249,338	1,759,310
Other social security expenses	606,010	374,142
Other staff expenses	1,215,942	476,659
	34,581,903	26,662,360
Average number of employees	36	30

	2022	2021
	DKK	DKK
3. Income tax expense		
Current tax for the year	0	-158,690
Deferred tax for the year	336,716	1,390,730
	336,716	1,232,040

Notes to the Financial Statements

4. Intangible fixed assets

	Completed development projects	Acquired licenses	Develop- ment projects in progress
	DKK	DKK	DKK
Cost at 1 January	2,752,046	6,560,000	8,620,786
Additions for the year	0	0	14,024,481
Transfers for the year	22,440,487	0	-22,440,487
Cost at 31 December	25,192,533	6,560,000	204,780
Impairment losses and amortisation at 1 January	794,582	5,029,333	0
Amortisation for the year	3,514,743	1,312,000	0
Impairment losses and amortisation at 31 December	4,309,325	6,341,333	0
Carrying amount at 31 December	20,883,208	218,667	204,780
Amortised over	5 years	5 years	

The Company's development projects relate to development of new products, as well as continued development, improvements and upgrading of the Company's existing products.

The development, improvement and upgrading is completed on an ongoing basis and the projects are ready for use upon completion. The products form the basis of a large part of the Company's existing business, hence, there are markets and customers for the products. Projects in progress, consist of supplementary products; hence, there is a market herefore.

Notes to the Financial Statements

5. Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	DKK
Cost at 1 January	438,700
Cost at 31 December	438,700
Impairment losses and depreciation at 1 January	222,881
Depreciation for the year	87,816
Impairment losses and depreciation at 31 December	310,697
Carrying amount at 31 December	128,003
Amortised over	5 years

Notes to the Financial Statements

	2022 DKK	2021 DKK
6. Investments in subsidiaries		
Cost at 1 January	116,054	114,550
Additions for the year	26,844	1,504
Cost at 31 December	142,898	116,054
Value adjustments at 1 January	285,292	-87,536
Net profit/loss for the year	-529,695	372,828
Value adjustments at 31 December	-244,403	285,292
Equity investments with negative net asset value amortised over receivables	932,729	0
Carrying amount at 31 December	831,224	401,346

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Ownership
Yavica Sweden AB	Segeltorp, Sweden	50.000 SEK	100%
Yavica CEE S.R.L.	Bucharest, Romania	1.000 RON	100%
Yavica NA LLC	Delaware, USA	USD 1	100%
Yavica UK ltd	Birmingham, England	GBP 1	100%

7. Other fixed asset investments

	Deposits DKK	Other receivables DKK
Cost at 1 January	452,196	0
Additions for the year	137,019	700,000
Cost at 31 December	589,215	700,000
Carrying amount at 31 December	589,215	700,000

Notes to the Financial Statements

8. Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2022	2021
	DKK	DKK
Other payables		
After 5 years	1,432,271	1,432,271
Between 1 and 5 years	0	1,220,367
Long-term part	1,432,271	2,652,638
Within 1 year	0	0
Other short-term payables	2,389,669	3,005,675
	3,821,940	5,658,313

9. Cash flow statement - Adjustments

	2022	2021
	DKK	DKK
Financial income	-650,698	-769,789
Financial expenses	917,780	1,140,628
Depreciation, amortisation and impairment losses, including losses and gains on sales	4,914,559	1,929,110
Income from investments in subsidiaries	529,695	-372,828
Tax on profit/loss for the year	336,716	1,232,040
	6,048,052	3,159,161

10. Cash flow statement - Change in working capital

	2022	2021
	DKK	DKK
Change in receivables	2,750,446	-1,895,042
Change in trade payables, etc	1,441,787	693,732
	4,192,233	-1,201,310

Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
	DKK	DKK
11. Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
Floating charge (virksomhedspant)	4,000,000	0
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	452,703	436,556
Between 1 and 5 years	0	213,341
	<u>452,703</u>	<u>649,897</u>

Notes to the Financial Statements

12. Accounting policies

The Annual Report of Yavica ApS for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2022 are presented in DKK.

Consolidated financial statements

With reference to section 110 of the Danish Financial Statements Act, no consolidated financial statements are prepared.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Notes to the Financial Statements

Income statement

Net sales

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Services are recognised at the rate of completion of the service to which the contract relates by using the percentage-of-completion method, which means that revenue equals the selling price of the service completed for the year. This method is applied when total revenues and expenses in respect of the service and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the service.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Production expenses

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc.

Distribution expenses

Distribution expenses comprise costs in the form of salaries to sales and distribution staff, advertising and marketing expenses as well as operation of motor vehicles, depreciation, etc.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Notes to the Financial Statements

Balance sheet

Intangible fixed assets

Development projects

Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities.

Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve comprises only development costs recognised in financial years beginning on or after 1 January 2016. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 5 year.

Other intangible fixed assets

Licences are measured at cost less accumulated amortisation and less any accumulated impairment losses or at a lower value in use.

Software licences are amortised over the period of the agreements, which is 5 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	5 years
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The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment and investments are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

Notes to the Financial Statements

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method” under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits regarding lease agreements.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Equity

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate Dividend item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Notes to the Financial Statements

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.